

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name The Village of Oxford	County Oakland
Fiscal Year End June 30, 2006	Opinion Date November 20, 2006	Date Audit Report Submitted to State December 21, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Rehmann Robson		Telephone Number 248.952.5000		
Street Address 5750 New King Street, Suite 200		City Troy	State MI	Zip 48098
Authorizing CPA Signature Thomas E. Darling, CPA <small>Digitally signed by Thomas E. Darling, CPA DN: cn=Thomas E. Darling, CPA, c=US, o=Rehmann Robson, email=tdarling@rehmann.com Date: 2006.12.21 18:52:18 -0500</small>		Printed Name Thomas E. Darling		License Number A246550



Sister City to
Oxford, England
EST. 912

**VILLAGE OF OXFORD
MICHIGAN**

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2006

**VILLAGE OF OXFORD
MICHIGAN**

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2006

VILLAGE OF OXFORD, MICHIGAN
Basic Financial Statements and Supplementary Information
For the Year Ended June 30, 2006

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Basic Financial Statements and Supplementary Information
For the Year Ended June 30, 2006

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REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

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INDEPENDENT AUDITORS' REPORT

November 20, 2006

To the Village Council
Village of Oxford, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the ***Village of Oxford, Michigan***, as of and for the year ended June 30, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the ***Village of Oxford, Michigan's*** management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the ***Village of Oxford, Michigan***, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles general accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2006, on our consideration of the ***Village of Oxford, Michigan's*** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and

the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis listed in the table of contents on Pages 3 through 13 and the Schedule of Funding Progress on Page 50 are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the *Village of Oxford, Michigan's* basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script, reading "Lehmann Lohman".

***MANAGEMENT'S DISCUSSION
AND ANALYSIS***

VILLAGE OF OXFORD, MICHIGAN

Management's Discussion and Analysis

As management of the *Village of Oxford, Michigan*, (the "Village") we offer readers of the Village's financial statements this narrative overview and analysis of the activities of the Village for the fiscal year ended June 30, 2006.

Financial Highlights

- At the end of the current fiscal year, unreserved fund balance for the general fund was \$834,279 or 35% of total general fund expenditures for the fiscal year. The total general fund balance of \$943,182 increased by \$102,182, or 12%.
- The special revenue street funds (major, local and municipal) total fund balances decreased by \$(32,017), or -6.9%, to a total of \$434,666.
- The Sewer Fund's operating revenues decreased by \$(9,520), or -0.6% from the prior year. The Sewer Fund's unrestricted cash and investments decreased by \$(195,049), or -13.2%, to \$1,285,045. The Water Fund's operating revenues were up by \$34,652, or 4.5%. The Water Fund's unrestricted cash and investments decreased by \$(342,207), or -28.3%, to \$866,708. The decrease in unrestricted cash and investments was largely due to the joint purchase of over \$700,000 of property by the water and sewer funds.
- Village street construction included an addition to water and sewer mains of approximately \$2 million. This was financed through bond proceeds of \$3.3 million from the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village's basic financial statements. The Village's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Village's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in

VILLAGE OF OXFORD, MICHIGAN

Management's Discussion and Analysis

future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Village include general government, public safety, public works, highways and streets, recreation and culture, and community and economic development. The business-type activities of the Village include water distribution and sanitary sewer operations.

The government-wide financial statements include not only the Village of Oxford itself (known as the *primary government*), but also a legally separate downtown development authority known as the Downtown Development Authority, for which the Village is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself. The Building Authority, also legally separate, functions for all practical purposes as a department of the Village, and therefore has been included as an integral part of the primary government.

Fund financial statements. A *Fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Village maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of

VILLAGE OF OXFORD, MICHIGAN

Management's Discussion and Analysis

revenues, expenditures, and changes in fund balances for the General and Capital Projects funds, which are considered to be major funds. Data from the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* after the *Notes to Financial Statements*.

The Village adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets for the General, Major Streets and Local Streets funds.

Proprietary funds. The Village maintains two different types of proprietary funds: *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Village uses enterprise funds to account for its water and sanitary sewer operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the Village's various functions. The Village uses an internal service fund to account for its motor equipment fleet. Because this service predominantly benefits governmental rather than business-type functions, it has been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sanitary sewer operations, both of which are considered to be major funds of the Village.

Fiduciary funds. The Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Village's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This is limited to a schedule concerning the Village's progress in funding its obligation to provide pension benefits to its employees.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information.

VILLAGE OF OXFORD, MICHIGAN

Management's Discussion and Analysis

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Village of Oxford, assets exceeded liabilities by \$10,688,493 at the close of the most recent fiscal year.

A large portion of the Village's net assets (53%) reflects its investment in capital assets (e.g., land, buildings and improvements, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Village uses these capital assets to provide services to residents; consequently, these assets are *not* available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 2,148,471	\$ 3,889,461	\$ 2,752,534	\$ 3,550,559	\$ 4,901,005	\$ 7,440,020
Capital assets, net	6,509,980	4,825,470	4,256,393	4,300,649	10,766,373	9,126,119
Total assets	8,658,451	8,714,931	7,008,927	7,851,208	15,667,378	16,566,139
Current liabilities	481,318	508,175	263,516	250,698	744,834	758,873
Noncurrent liabilities	2,646,798	2,682,977	2,354,882	2,498,027	5,001,680	5,181,004
Total liabilities	3,128,116	3,191,152	2,618,398	2,748,725	5,746,514	5,939,877
Net assets:						
Invested in capital assets,						
net of related debt	3,856,500	4,353,069	2,538,504	1,706,430	6,395,004	6,059,499
Restricted assets	615,965	646,319	13,220	4,517	629,185	650,836
Unrestricted	1,057,870	524,391	2,606,434	3,391,536	3,664,304	3,915,927
Total net assets	\$ 5,530,335	\$ 5,523,779	\$ 5,158,158	\$ 5,102,483	\$ 10,688,493	\$ 10,626,262

An additional portion of the Village's net assets (6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets*, 3,664,304 or 42%, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Village is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

VILLAGE OF OXFORD, MICHIGAN

Management's Discussion and Analysis

The Village's net assets increased by \$62,231 during the current fiscal year. This was due to net depreciation expense offset by several items as discussed in the governmental activities and business-type activities portion of this discussion and analysis.

Governmental activities. Governmental activities increased the Village's net assets by \$6,556 . This slight increase is primarily due from operational activities.

VILLAGE OF OXFORD, MICHIGAN

Management's Discussion and Analysis

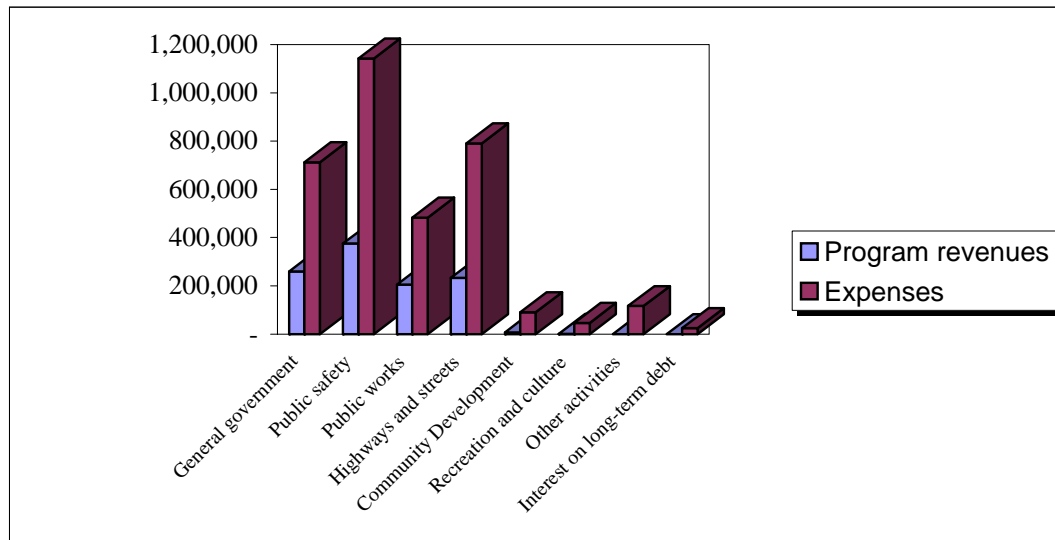
Village of Oxford's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenue:						
Program revenues:						
Charges for services	\$ 345,716	\$ 306,017	\$ 1,324,099	\$ 1,267,955	\$ 1,669,815	\$ 1,573,972
Operating grants and contributions	727,438	694,160	967	2,070	728,405	696,230
Capital grants and contributions	7,587	3,106	20,304	36,613	27,891	39,719
General revenues:						
Property taxes	1,596,180	1,500,732	-	-	1,596,180	1,500,732
State shared revenue	259,230	261,854	-	-	259,230	261,854
Grants and contributions not restricted to specific programs	334,387	21,894	7,200	20,800	341,587	42,694
Other	131,591	41,475	100,107	54,830	231,698	96,305
Total revenues	<u>3,402,129</u>	<u>2,829,238</u>	<u>1,452,677</u>	<u>1,382,268</u>	<u>4,854,806</u>	<u>4,211,506</u>
Expenses:						
General government	712,597	668,850	-	-	712,597	668,850
Public safety	1,142,373	1,181,080	-	-	1,142,373	1,181,080
Public works	482,329	443,577	-	-	482,329	443,577
Highways and streets	790,647	501,152	-	-	790,647	501,152
Recreation and culture	46,059	58,734	-	-	46,059	58,734
Community and economic development	90,446	84,993	-	-	90,446	84,993
Other activities	116,312	41,399	-	-	116,312	41,399
Interest on long-term debt	25,110	36,114	-	-	25,110	36,114
Sewage disposal system	-	-	573,011	560,185	573,011	560,185
Water supply system	-	-	813,691	733,947	813,691	733,947
Total expenses	<u>3,405,873</u>	<u>3,015,899</u>	<u>1,386,702</u>	<u>1,294,132</u>	<u>4,792,575</u>	<u>4,310,031</u>
Change in net assets before transfers	(3,744)	(186,661)	65,975	88,136	62,231	(98,525)
Transfers	<u>10,300</u>	<u>10,000</u>	<u>(10,300)</u>	<u>(10,000)</u>	<u>-</u>	<u>-</u>
Change in net assets	6,556	(176,661)	55,675	78,136	62,231	(98,525)
Net assets-beginning	<u>5,523,779</u>	<u>5,700,440</u>	<u>5,102,483</u>	<u>5,024,347</u>	<u>10,626,262</u>	<u>10,724,787</u>
Net assets-ending	<u>\$ 5,530,335</u>	<u>\$ 5,523,779</u>	<u>\$ 5,158,158</u>	<u>\$ 5,102,483</u>	<u>\$ 10,688,493</u>	<u>\$ 10,626,262</u>

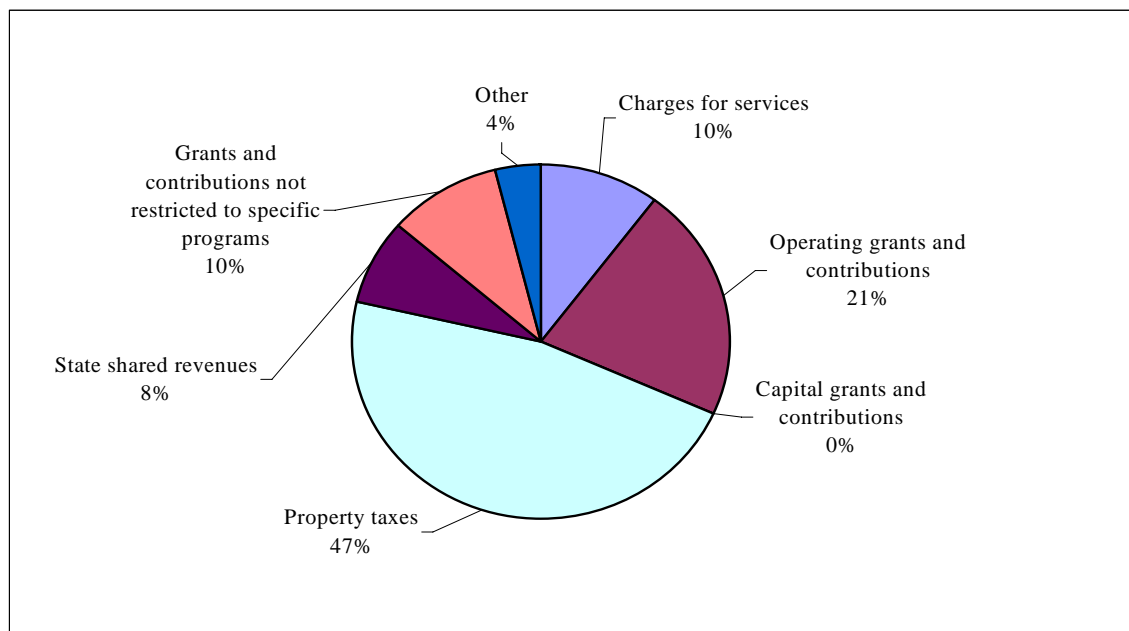
VILLAGE OF OXFORD, MICHIGAN

Management's Discussion and Analysis

Expenses and Program Revenues – Governmental Activities



Revenues by Source – Governmental Activities

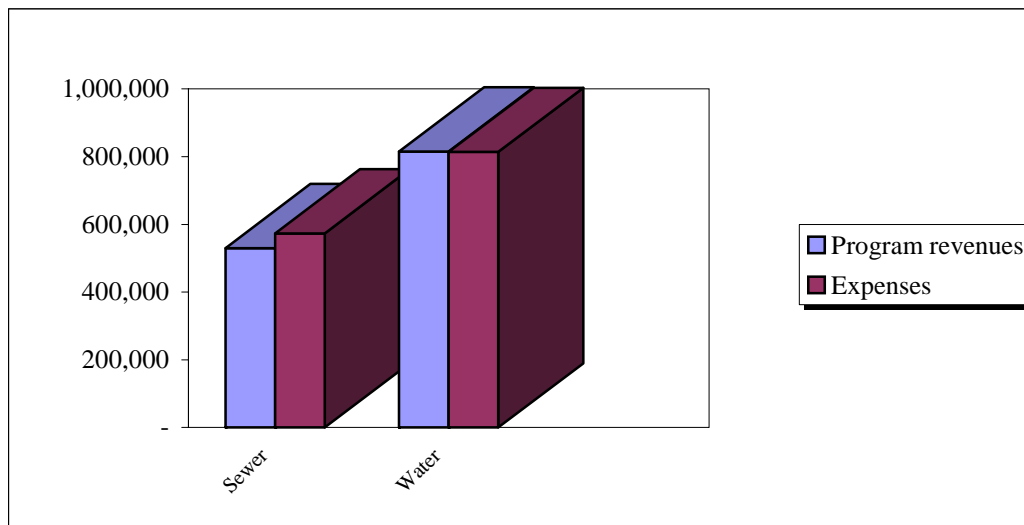


VILLAGE OF OXFORD, MICHIGAN

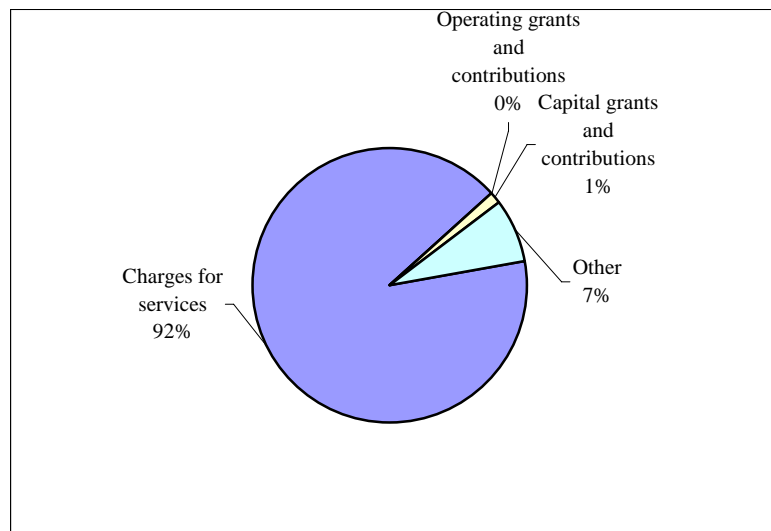
Management's Discussion and Analysis

Business-type Activities. Business-type activities increased the Village's net assets by \$55,675 , contributing to the Village's total increase in net assets. The key element of this change is the recognition of a \$50,000 deposit made on Erin Estates as revenue in the current year.

Expenses and Program Revenues - Business-Type Activities



Revenues by Sources – Business-Type Activities



VILLAGE OF OXFORD, MICHIGAN

Management's Discussion and Analysis

Financial Analysis of the Government's Funds

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Village's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Village's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$2,024,403 , a decrease of \$(1,760,515) in comparison with the prior year. Approximately 90% of this total amount, or \$1,824,279 constitutes *unreserved, undesignated fund balance* and is available for spending at the government's discretion.

The general fund is the chief operating fund of the Village. At the end of the current fiscal year, *unreserved* fund balance of the general fund was \$834,279 , while total fund balance was \$943,182. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 35% of total general fund expenditures, while total fund balance represents 40% of the same amount.

The fund balance of the Village's general fund increased by \$102,182 during the current fiscal year. This is primarily attributable to:

- Personnel cost savings in the office staff from the consolidation of two positions.
- The postponement of park improvements of \$50,000 due to the denial of a \$25,000 grant application.
- Favorable budgeted revenue variances in property taxes of \$25,000 and interest earnings of \$5,000.

Proprietary funds. The Village's proprietary funds provide the same type of information found in the government wide financial statements, but in more detail.

Unrestricted net assets of the Sewer Fund at the end of the year amounted to \$1,397,180 and the Water Fund's unrestricted net assets amounted to \$925,213. The increase in Sewer Fund net assets was \$2,012 and the increase in Water Fund net assets amounted to \$56,671. Over the past several years, the net assets of the Water and Sewer Funds has been maintained to provide for future maintenance needs of the system.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were relatively minor. The increase in budgeted revenues of \$126,703 to \$2,573,189, and the increase in budgeted expenditures of \$112,414 to \$2,745,350 can be briefly summarized as follows:

VILLAGE OF OXFORD, MICHIGAN

Management's Discussion and Analysis

- Favorable budgeted revenue variances in property taxes of \$25,000 and interest earnings of \$5,000.
- Personnel costs savings in the Clerk and Treasurer office staff from the transition of two employee retirements being replaced with one combined position.
- Attorney fees increasing by \$50,000 due to litigation costs on various cases.
- An amendment to the building department budget to convert part-time staff to contracted services, resulting in a reduction of \$20,000.

Capital Asset and Debt Administration

Capital assets. The Village's investment in capital assets for its governmental and business-type activities as of June 30, 2006, amounted to \$11,534,002 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, vehicles, and roads, highways, and other infrastructure. The total increase in the Village's investment in capital assets for the current fiscal year was \$2,407,871 , or 26%, which represents an increase in governmental activities of \$1,684,510, or 35%, and an increase in business-type activities of \$723,373, or 17%. These increases were caused by additions of \$2.2 million in water and sewer infrastructure, \$700,000 in water and sewer land, and \$400,000 in DDA land acquisition.

Village of Oxford's Capital Assets (net of depreciation)

	Governmental Activities	Business-Type Activities	Total
Land	\$ 468,448	\$ 709,744	\$ 1,178,192
Construction in progress	-	57,885	57,885
Buildings and systems	901,681	4,256,393	5,158,074
Street lighting	18,801	-	18,801
Furniture and equipment	416,252	-	416,252
Vehicles	61,517	-	61,517
Infrastructure	4,643,281	-	4,643,281
Total	<u>\$ 6,509,980</u>	<u>\$ 5,024,022</u>	<u>\$ 11,534,002</u>

Further information regarding capital assets can be found in the notes to the financial statements.

Long-term debt. At the end of the current fiscal year, the Village had total bonded debt and notes outstanding of \$5,138,998 backed by the full faith and credit of the government. Their purpose is attributable in total to governmental activities. The remainder of the Villages debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

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Management's Discussion and Analysis

Village of Oxford's Outstanding Debt				
General Obligation Bonds and Notes				
	Governmental	Business-Type		Component
	Activities	Activities	Total	Unit
Capital Improvement bonds	\$ 2,348,480	\$ -	\$ 2,348,480	\$ 751,515
Building Authority bonds	185,000	-	185,000	-
Parking District bonds	110,000	-	110,000	-
Motor Pool bond	145,881	-	-	-
Library note payable	10,000	-	10,000	-
Revenue bonds	-	1,155,518	1,155,518	-
DWRF bonds	-	1,330,000	1,330,000	-
	<u>\$ 2,799,361</u>	<u>\$ 2,485,518</u>	<u>\$ 5,138,998</u>	<u>\$ 751,515</u>

Total obligation debt decreased by \$310,221 through principal payments and the amortization of bond discounts.

Further information regarding long-term debt can be found in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the Village's budget for the 2006-07 fiscal year:

- Revenue limitations including property tax cap of 3.3%; flat state shared revenues over the past few years and slightly higher interest investment rates.
- A 4% increase in health insurance costs and a slight increase in general liability and property insurance premiums.
- The Township-wide voter-approved millage effective for 2006 in part resulted in a decrease in the Village millage rate of 1.5 mills.

Requests for Information

This financial report is designed to provide a general overview of the Village's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Village Manager, P.O. Box 94, 22 W. Burdick Street, Oxford, Michigan 48371.

***BASIC FINANCIAL
STATEMENTS***

VILLAGE OF OXFORD, MICHIGAN
Statement of Net Assets
June 30, 2006

	Governmental	Business-type		Component Unit
	Activities	Activities	Total	Downtown Development Authority
Assets				
Cash and cash equivalents	\$ 1,799,669	\$ 2,151,753	\$ 3,951,422	\$ 1,212,863
Receivables (net)	241,866	256,483	498,349	14,089
Internal balances	(130,136)	130,136	-	-
Due from component unit	111,455	-	111,455	-
Prepaid items and other assets	40,617	150,942	191,559	1,578
Temporarily restricted assets:				
Cash and cash equivalents	-	63,220	63,220	-
Escrow on land purchase	85,000	-	85,000	85,000
Capital assets not being depreciated	468,448	767,629	1,236,077	1,225,852
Capital assets being depreciated, net	6,041,532	4,256,393	10,297,925	50,839
Total assets	8,658,451	7,776,556	16,435,007	2,590,221
Liabilities				
Accounts payable and accrued liabilities	164,311	117,236	281,547	26,392
Customer deposits	-	5,000	5,000	-
Due to primary government	-	-	-	111,455
Unearned revenue	120,000	2,579	122,579	-
Noncurrent liabilities:				
Due within one year	197,007	138,701	335,708	41,212
Due in more than one year	2,646,798	2,354,882	5,001,680	712,490
Total liabilities	3,128,116	2,618,398	5,746,514	891,549
Net assets				
Invested in capital assets, net of related deb	3,666,175	2,538,504	6,204,679	525,176
Restricted for:				
Debt service	89,394	13,220	102,614	-
Highways and streets	434,666	-	434,666	-
Other purposes	91,905	-	91,905	85,000
Unrestricted	1,248,195	2,606,434	3,854,629	1,088,496
Total net assets	\$ 5,530,335	\$ 5,158,158	\$ 10,688,493	\$ 1,698,672

The accompanying notes are an integral part of these financial statements.

VILLAGE OF OXFORD, MICHIGAN
Statement of Activities
For the Year Ended June 30, 2006

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 712,597	\$ 8,745	\$ 250,821	\$ -	\$ (453,031)
Public safety	1,142,373	119,098	248,048	7,587	(767,640)
Public works	482,329	205,188	-	-	(277,141)
Highways and streets	790,647	11,578	221,229	-	(557,840)
Community and economic development	90,446	-	7,340	-	(83,106)
Recreation and culture	46,059	1,107	-	-	(44,952)
Other governmental activities	116,312	-	-	-	(116,312)
Interest on long-term debt	25,110	-	-	-	(25,110)
Total governmental activities	<u>3,405,873</u>	<u>345,716</u>	<u>727,438</u>	<u>7,587</u>	<u>(2,325,132)</u>
Business-type activities:					
Sewer	573,011	530,031	-	-	(42,980)
Water	813,691	794,068	967	20,304	1,648
Total business-type activities	<u>1,386,702</u>	<u>1,324,099</u>	<u>967</u>	<u>20,304</u>	<u>(41,332)</u>
Total primary government	<u>\$ 4,792,575</u>	<u>\$1,669,815</u>	<u>\$ 728,405</u>	<u>\$ 27,891</u>	<u>\$ (2,366,464)</u>
Component unit:					
Downtown development authority	<u>\$ 411,947</u>	<u>\$ 1,505</u>	<u>\$ 46,399</u>	<u>\$ -</u>	<u>\$ (364,043)</u>

continued...

The accompanying notes are an integral part of these financial statements.

VILLAGE OF OXFORD, MICHIGAN
Statement of Activities (Concluded)
For the Year Ended June 30, 2006

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
Changes in net assets				
Net (expense) revenue	<u>\$ (2,325,132)</u>	<u>\$ (41,332)</u>	<u>\$ (2,366,464)</u>	<u>\$ (364,043)</u>
General revenues:				
Property taxes	1,596,180	-	1,596,180	395,145
State shared revenue	259,230	-	259,230	-
Grants and contributions not restricted to specific programs	334,387	7,200	341,587	-
Unrestricted investment earnings	109,303	100,107	209,410	46,664
Gain on sale of capital assets	22,288	-	22,288	-
Transfers - internal activities	<u>10,300</u>	<u>(10,300)</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers	<u>2,331,688</u>	<u>97,007</u>	<u>2,428,695</u>	<u>441,809</u>
Change in net assets	6,556	55,675	62,231	77,766
Net assets, beginning of year	<u>5,523,779</u>	<u>5,102,483</u>	<u>10,626,262</u>	<u>1,620,906</u>
Net assets, end of year	<u><u>\$ 5,530,335</u></u>	<u><u>\$ 5,158,158</u></u>	<u><u>\$ 10,688,493</u></u>	<u><u>\$ 1,698,672</u></u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF OXFORD, MICHIGAN

Balance Sheet Governmental Funds June 30, 2006

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 736,557	\$ 353,763	\$ 454,988	\$ 1,545,308
Receivables:				
Accounts receivable	46,037	-	631	46,668
Taxes-delinquent	29,301	-	-	29,301
Allowance for delinquent taxes	(14,289)	-	-	(14,289)
Special assessments	-	-	52,291	52,291
Due from other funds	22,516	175,582	27,907	226,005
Due from component units	57,940	53,515	-	111,455
Due from other governments	91,040	-	36,748	127,788
Deposit - restricted for land acquisition	85,000	-	-	85,000
Prepaid items	23,903	-	14,887	38,790
Total assets	<u>\$1,078,005</u>	<u>\$ 582,860</u>	<u>\$ 587,452</u>	<u>\$ 2,248,317</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 93,846	\$ 32,604	\$ 3,858	\$ 130,308
Accrued liabilities	13,665	-	633	14,298
Due to other funds	12,100	-	-	12,100
Deferred revenue	15,212	-	51,996	67,208
Total liabilities	<u>134,823</u>	<u>32,604</u>	<u>56,487</u>	<u>223,914</u>
Fund balances:				
Reserved for:				
Debt service	-	-	76,334	76,334
Prepays and deposits	108,903	-	14,887	123,790
Unreserved:				
Undesignated reported in:				
General fund	834,279	-	-	834,279
Special revenue funds	-	-	439,744	439,744
Capital projects	-	550,256	-	550,256
Total fund balances	<u>943,182</u>	<u>550,256</u>	<u>530,965</u>	<u>2,024,403</u>
Total liabilities and fund balances	<u>\$1,078,005</u>	<u>\$ 582,860</u>	<u>\$ 587,452</u>	<u>\$ 2,248,317</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF OXFORD, MICHIGAN
Reconciliation of Fund Balances on the Balance Sheet
for Governmental Funds to Net Assets of
Governmental Activities on the Statement of Net Assets
June 30, 2006

Fund balances - total governmental funds	\$ 2,024,403
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add: capital assets	11,715,208
Deduct: accumulated depreciation	(6,103,719)

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund

Add: deferred personal property taxes and special assessments	67,208
---	--------

An internal service fund is used by management to charge the costs of certain equipment usage to individual funds. A portion of the assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.

Add: net assets of governmental activities accounted for in the internal service fund	537,003
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Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct: bonds payable	(2,653,480)
Deduct: accrued interest payable	(11,844)
Deduct: compensated absences	(44,444)

Net assets of governmental activities	<u>\$ 5,530,335</u>
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The accompanying notes are an integral part of these financial statements.

VILLAGE OF OXFORD, MICHIGAN
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2006

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Property taxes	\$ 1,605,260	\$ -	\$ 10,162	\$ 1,615,422
Licenses and permits	32,794	-	-	32,794
Intergovernmental	319,942	-	221,229	541,171
Charges for services	220,914	-	-	220,914
Fines and forfeitures	36,656	-	-	36,656
Investment earnings	46,044	29,904	24,642	100,590
Other	327,015	263,635	56,198	646,848
Total revenues	<u>2,588,625</u>	<u>293,539</u>	<u>312,231</u>	<u>3,194,395</u>
Expenditures				
Current:				
General government	649,250	-	-	649,250
Public safety	928,803	-	-	928,803
Public works	490,259	-	-	490,259
Highways and streets	-	-	185,886	185,886
Community and economic development	90,446	-	-	90,446
Recreation and culture	33,975	-	-	33,975
Other functions	116,312	-	-	116,312
Capital Outlay	52,804	2,125,882	-	2,178,686
Debt service:				
Principal	10,000	-	191,520	201,520
Interest and fiscal charges	600	-	89,473	90,073
Total expenditures	<u>2,372,449</u>	<u>2,125,882</u>	<u>466,879</u>	<u>4,965,210</u>
Revenues over (under) expenditures	<u>216,176</u>	<u>(1,832,343)</u>	<u>(154,648)</u>	<u>(1,770,815)</u>
Other financing sources (uses)				
Transfers in	10,300	-	423,720	434,020
Transfers out	(124,294)	-	(299,426)	(423,720)
Total other financing sources (uses)	<u>(113,994)</u>	<u>-</u>	<u>124,294</u>	<u>10,300</u>
Net change in fund balances	102,182	(1,832,343)	(30,354)	(1,760,515)
Fund balances, beginning of year	<u>841,000</u>	<u>2,382,599</u>	<u>561,319</u>	<u>3,784,918</u>
Fund balances, end of year	<u>\$ 943,182</u>	<u>\$ 550,256</u>	<u>\$ 530,965</u>	<u>\$ 2,024,403</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF OXFORD, MICHIGAN
Reconciliation of the Statement of Revenues, Expenditures
and Change in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2006

Net change in fund balances - total governmental funds	\$ (1,760,515)
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Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: capital outlay	1,969,154
Add: basis of capital assets sold	1,158
Deduct: depreciation expense	(436,399)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.

Deduct: net difference in deferred revenue	(19,242)
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Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add: principal payments on long-term liabilities	201,520
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An internal service fund is used by management to charge the costs of certain equipment usage to individual funds. A portion of the net revenue (expense) of the internal service fund attributable to those funds is reported with governmental activities.

Add: net income from governmental activities in the internal service fund	23,662
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Add: decrease in the accrual for compensated absences - general government	18,588
Deduct: increase in the accrual for compensated absences - public safety	(1,309)
Add: decrease in the accrual for compensated absences - major streets	9,939

Change in net assets of governmental activities	\$ <u>6,556</u>
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The accompanying notes are an integral part of these financial statements.

VILLAGE OF OXFORD, MICHIGAN
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	\$ 1,568,893	\$ 1,563,893	\$ 1,605,260	\$ 41,367
Licenses and permits	35,015	31,758	32,794	1,036
Intergovernmental:				-
Federal grants	3,000	5,500	7,340	1,840
State grants	292,372	292,697	263,387	(29,310)
Local reimbursements	52,701	52,701	49,215	(3,486)
Charges for services	215,658	217,963	220,914	2,951
Fines and forfeitures	21,000	34,469	36,656	2,187
Investment earnings	10,980	40,580	46,044	5,464
Other	234,867	321,328	327,015	5,687
Total revenues	<u>2,434,486</u>	<u>2,560,889</u>	<u>2,588,625</u>	<u>27,736</u>
Expenditures				
General government:				
Council	14,150	10,484	7,621	2,863
Manager	130,875	137,380	128,832	8,548
Elections	1,440	1,178	1,177	1
Attorney	83,330	135,994	133,565	2,429
Clerk	268,995	270,383	216,609	53,774
Treasurer	93,313	96,866	86,349	10,517
Building & Grounds	56,160	73,557	72,202	1,355
Appeals fees	670	180	330	(150)
Beautification committee	3,310	3,310	2,565	745
Total general government	<u>652,243</u>	<u>729,332</u>	<u>649,250</u>	<u>80,082</u>
Public safety:				
Police	567,611	585,976	564,954	21,022
Fire	105,740	95,931	91,960	3,971
911 and Communications	250,750	259,347	239,178	20,169
Building inspection	19,671	34,973	32,711	2,262
Total public safety	<u>943,772</u>	<u>976,227</u>	<u>928,803</u>	<u>47,424</u>
Public works:				
Department of public works	228,464	265,337	227,671	37,666
Light poles	41,450	45,050	49,419	(4,369)
Engineering fees	4,120	4,120	544	3,576
Rubbish contracts	214,161	214,161	212,625	1,536
Total public works	<u>488,195</u>	<u>528,668</u>	<u>490,259</u>	<u>38,409</u>

Continued....

VILLAGE OF OXFORD, MICHIGAN
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Concluded....				
Community and economic development:				
Planning & building department	\$ 57,276	\$ 23,612	\$ 20,125	\$ 3,487
Planning fees	21,520	22,085	17,080	5,005
Public relations	16,400	37,667	53,241	(15,574)
Total community and economic development	95,196	83,364	90,446	(7,082)
Recreation and culture:				
Parks	46,825	46,825	33,975	12,850
Other functions:				
Insurance	39,954	59,597	59,596	1
Other	138,327	74,947	56,716	18,231
Total other functions	178,281	134,544	116,312	18,232
Capital Outlay	93,530	111,416	52,804	58,612
Debt service:				
Principal	10,000	10,000	10,000	-
Interest	600	600	600	-
Total debt service	10,600	10,600	10,600	-
Total expenditures	2,508,642	2,620,976	2,372,449	248,527
Revenues over (under) expenditures	(74,156)	(60,087)	216,176	(276,263)
Other financing sources (uses)				
Sale of capital assets	2,000	2,000	-	2,000
Transfers in	10,000	10,300	10,300	-
Transfers out	(124,294)	(124,374)	(124,294)	80
Total other financing (uses)	(112,294)	(112,074)	(113,994)	1,920
Net change in fund balances	(186,450)	(172,161)	102,182	(274,343)
Fund balance, beginning of year	841,000	841,000	841,000	-
Fund balance, end of year	<u>\$ 654,550</u>	<u>\$ 668,839</u>	<u>\$ 943,182</u>	<u>\$ (274,343)</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF OXFORD, MICHIGAN

Statement of Net Assets

Proprietary Funds

June 30, 2006

	Business-type Activities - Enterprise Funds			Governmental Activities Vehicle and Equipment Internal Service Fund
	Sewer	Water	Total	
Assets				
Current assets:				
Cash and cash equivalents	\$1,285,045	\$ 866,708	\$ 2,151,753	\$ 254,361
Accounts receivable	104,204	152,279	256,483	107
Due from other governments				
Due from other funds	11,800	-	11,800	-
Prepaid expenses	60,487	90,455	150,942	1,827
Total current assets	<u>1,461,536</u>	<u>1,109,442</u>	<u>2,570,978</u>	<u>256,295</u>
Noncurrent assets:				
Cash and cash equivalents with the County				
Restricted cash and cash equivalents	-	63,220	63,220	-
Advances to other funds	60,000	-	60,000	-
Non-depreciable capital assets	352,372	415,257	767,629	-
Capital assets being depreciated, net	738,338	3,518,055	4,256,393	898,491
Total noncurrent assets	<u>1,150,710</u>	<u>3,996,532</u>	<u>5,147,242</u>	<u>898,491</u>
Total assets	<u>2,612,246</u>	<u>5,105,974</u>	<u>7,718,220</u>	<u>1,154,786</u>
Liabilities				
Current liabilities:				
Accounts payable	65,083	6,354	71,437	3,266
Due to other funds	59,187	166,518	225,705	-
Advances payable - current portion	-	-	-	20,000
Total current liabilities	<u>124,270</u>	<u>172,872</u>	<u>297,142</u>	<u>23,266</u>
Current liabilities payable from restricted assets:				
Restricted deposit	-	5,000	5,000	-
Accrued interest	86	45,713	45,799	4,595
Bonds payable - current portion	-	138,701	138,701	-
Total current liabilities payable from restricted assets	<u>86</u>	<u>189,414</u>	<u>189,500</u>	<u>4,595</u>
Noncurrent liabilities:				
Charges received in advance	-	2,579	2,579	120,000
Accrued compensated absences	-	8,065	8,065	-
Notes payable	-	-	-	145,881
Bonds payable - net of current portion and unamortized bond discount of \$22,077	-	2,346,817	2,346,817	-
Advances from other funds	-	-	-	40,000
Total noncurrent liabilities	<u>-</u>	<u>2,357,461</u>	<u>2,357,461</u>	<u>305,881</u>
Total liabilities	<u>124,356</u>	<u>2,719,747</u>	<u>2,844,103</u>	<u>333,742</u>
Net Assets				
Investment in capital assets, net of related debt	1,090,710	1,447,794	2,538,504	752,610
Restricted for bond redemption	-	13,220	13,220	-
Unrestricted (deficit)	<u>1,397,180</u>	<u>925,213</u>	<u>2,322,393</u>	<u>68,434</u>
Total net assets	<u>\$2,487,890</u>	<u>\$2,386,227</u>	<u>4,874,117</u>	<u>\$ 821,044</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			284,041	
Net assets of business type activities			<u>\$ 5,158,158</u>	

The accompanying notes are an integral part of these financial statements.

VILLAGE OF OXFORD, MICHIGAN

Statement of Revenues, Expenses and Changes in Fund Net Assets

Proprietary Funds

For the Year Ended June 30, 2006

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer	Water	Total	Motor Pool Internal Service Fund
Operating revenues				
Charges for services	\$ 527,038	\$ 754,065	\$ 1,281,103	\$ 188,973
Miscellaneous fees	7,200	-	7,200	-
Other	2,993	61,274	64,267	-
Total operating revenues	537,231	815,339	1,352,570	188,973
Operating expenses				
Personal services	32,257	207,581	239,838	56,532
Professional services	292,828	4,352	297,180	1,025
Supplies	3,665	43,829	47,494	5,657
Contractual services	-	138,626	138,626	7,002
Repairs and maintenance	-	1,897	1,897	52,179
Equipment rental	49,814	49,814	99,628	-
Insurance	24,999	10,782	35,781	6,975
Utilities	-	36,148	36,148	-
Depreciation	100,128	141,320	241,448	66,486
Administration	67,551	67,551	135,102	-
Other	265	4,575	4,840	279
Total operating expenses	571,507	706,475	1,277,982	196,135
Operating income (loss)	(34,276)	108,864	74,588	(7,162)
Non-operating revenues (expenses)				
Gain on sale of capital assets	-	-	-	22,288
Interest income	56,888	43,219	100,107	8,713
Interest expense	-	(105,712)	(105,712)	(3,185)
Total non-operating revenues (expenses)	56,888	(62,493)	(5,605)	27,816
Income (loss) before transfers	22,612	46,371	68,983	20,654
Transfers in	-	15,450	15,450	-
Transfers out	(20,600)	(5,150)	(25,750)	-
Change in net assets	2,012	56,671	58,683	20,654
Net assets, beginning of year	2,485,878	2,329,556		800,390
Net assets, end of year	<u>\$ 2,487,890</u>	<u>\$ 2,386,227</u>		<u>\$ 821,044</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(3,008)	
Change in net assets of business-type activities			<u>\$ 55,675</u>	

The accompanying notes are an integral part of these financial statements.

VILLAGE OF OXFORD, MICHIGAN
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2006

				Governmental Activities
				Motor Pool Internal Service Fund
	Sewer	Water	Total	
Cash flows from operating activities				
Cash received from customers and others	\$ 547,432	\$ 827,194	1,374,626	\$ 188,866
Cash received from interfund services	123,539	235,468	359,007	(30,000)
Cash payments to suppliers for goods and services	(529,699)	(680,071)	(1,209,770)	(118,473)
Net cash provided by operating activities	141,272	382,591	523,863	40,393
Cash flows from investing activities				
Investment income	56,888	43,218	100,106	8,713
Cash flows from capital and related financing activities				
Purchase of capital assets	(372,695)	(592,124)	(964,819)	(225,946)
Bond/note principal payments	-	(108,700)	(108,700)	-
Bond/note interest payments	86	(68,789)	(68,703)	1,410
Proceeds from sale of capital assets	-	-	-	22,288
Proceeds from debt issuance	-	-	-	145,881
Net cash (used) by capital and related financing activities	(372,609)	(769,613)	(1,142,222)	(56,367)
Cash flows from non-capital financing activities				
Transfers in	-	15,450	15,450	-
Transfers out	(20,600)	(5,150)	(25,750)	-
Net cash provided (used) by non-capital financing activities	(20,600)	10,300	(10,300)	-
Net increase (decrease) in cash and cash equivalents	(195,049)	(333,504)	(528,553)	(7,261)
Cash and cash equivalents, beginning of year	1,480,094	1,263,432	2,743,526	261,622
Cash and cash equivalents, end of year	\$1,285,045	\$ 929,928	\$ 2,214,973	\$ 254,361

Continued...

VILLAGE OF OXFORD, MICHIGAN
Statement of Cash Flows (Concluded)
Proprietary Funds
For the Year Ended June 30, 2006

				Governmental Activities
				Vehicle and Equipment
				Internal Service Fund
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>	
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ (34,276)	\$ 108,864	\$ 74,588	\$ (7,162)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	100,128	141,320	241,448	66,486
Changes in assets and liabilities:				
Accounts receivable - customers	10,201	9,142	19,343	(107)
Due from other governments	-	2,713	2,713	-
Due from other funds	(11,800)	1,399	(10,401)	-
Prepaid items	11,610	8,893	20,503	270
Advances to other funds	10,000	-	10,000	-
Accounts payable	277	(4,469)	(4,192)	10,906
Due to other funds	57,788	166,518	224,306	-
Restricted deposits payable	-	(50,000)	(50,000)	-
Charges received in advance	-	-	-	(20,000)
Accrued compensated absences	(2,656)	(1,789)	(4,445)	-
Advances from other funds	-	-	-	(10,000)
Net cash provided by operating activities	<u>\$ 141,272</u>	<u>\$ 382,591</u>	<u>\$ 523,863</u>	<u>\$ 40,393</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF OXFORD, MICHIGAN
Statement of Fiduciary Net Assets
Fiduciary Fund
June 30, 2006

	Agency Fund
Assets	
Cash and cash equivalents	<u>\$ 72,889</u>
Total assets	<u><u>\$ 72,889</u></u>
Liabilities	
Accounts payable	\$ 114
Accrued liabilities	21,274
Performance bonds	<u>51,501</u>
Total liabilities	<u><u>\$ 72,889</u></u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF OXFORD, MICHIGAN

Notes to Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Village of Oxford, Michigan (the “Village” or “government”) is a municipal corporation governed by an elected five-member council and an appointed Village Manager. The accompanying financial statements present the Village (the primary government) and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are in substance, part of the government’s operations. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

Blended component unit

Building Authority. The members of the governing board of the Oxford Building Authority are appointed by the Village Council. The budgets and expenditures of the Building Authority are approved by the Village Council. For financial reporting purposes, the Building Authority is reported as if it were part of the Village’s operation because the Village has the ability to significantly influence operations, and the Building Authority’s sole purpose is to serve the Village. Complete financial statements of the Building Authority are not prepared.

Discretely presented component unit

Downtown Development Authority. The component unit column in the combined financial statements includes the financial data of the Village’s discretely presented component unit, the Downtown Development Authority (the “Authority”). The discretely presented component unit is reported in a separate column to emphasize it is legally separate from the Village. The members of the governing board of the Authority are appointed by the Village Board. The budgets and expenditures of the Authority must be approved by the Village Board. Complete financial statements of the Downtown Development Authority can be obtained at the Village’s administrative offices.

B. Basis of Presentation - Government-Wide and Fund Financial Statements

Government-wide financial statements. The statements of net assets and activities report information on all of the non-fiduciary activities of the primary government (the Village) and its component unit. For the most part, eliminations have been made to remove the effect of double-counting inter-fund activities. These statements distinguish between the Village’s *governmental* and *business-type activities*. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange

VILLAGE OF OXFORD, MICHIGAN

Notes to Financial Statements

transactions. Business-type activities rely to a significant extent on fees and charges for services. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which direct expenses are offset by program revenues for the different business-type activities of the Village and for each function of the Village's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable with a particular function or segment. Program revenues include (1) fees, fines and charges paid by the recipients of goods or services offered by the programs and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including taxes and other items, are presented as general revenues.

Fund financial statements. The fund financial statements report in separate statements, information for governmental, proprietary and fiduciary funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide, proprietary and fiduciary fund financial statements. The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Village's enterprise funds and internal services fund are charges to customers for sales and services. Operating expenses for enterprise funds and the internal service fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Non-exchange transactions, in which the Village gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants,

VILLAGE OF OXFORD, MICHIGAN

Notes to Financial Statements

entitlements and donations is recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Village generally considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. The exception to this relates to state shared revenues that are considered available if they are collected within ninety days after year-end. Property taxes, franchise taxes, intergovernmental revenues, licenses and interest are considered to be susceptible to accrual.

Expenditures generally are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases, if any, are reported as other financing sources.

The Village reports the following major governmental funds:

General fund. This is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Capital projects fund. This fund accounts for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds).

The Village reports the following major proprietary funds:

Sewer fund. This fund accounts for the activities of the sewage disposal and sewage treatment system.

Water fund. This fund accounts for the activities of the Village's water distribution and water treatment system.

VILLAGE OF OXFORD, MICHIGAN

Notes to Financial Statements

Additionally, the Village reports the following fund types:

Special revenue funds. These funds account for revenue sources that are legally restricted to expenditures for specific purposes not including major capital projects.

Debt service funds. These funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Internal service fund. This fund accounts for operations that provide services to other departments or agencies of the Village. The Village maintains one internal service fund, the Motor Equipment Fund.

Agency fund. This fund accounts for assets held for other governments in an agency capacity.

Both the government-wide and proprietary fund financial statements of the Village follow private-sector standards of accounting and financial reporting issued prior to December 1, 1989, unless those standards conflict with guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payment-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Under the terms of grant agreements, the Village funds certain programs by a combination of specific cost-reimbursement grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Village's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

VILLAGE OF OXFORD, MICHIGAN

Notes to Financial Statements

D. Assets, Liabilities and Equity

Deposits and investments

The Village maintains an investment pool for all Village funds. Each fund's portion of the investment pool is displayed on the statement of net assets/balance sheet as "cash and cash equivalents".

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

Investments are stated at fair value. Short-term investments are reported at cost, which approximates fair value.

Receivables and payables

All trade and delinquent property tax receivables are shown net of an allowance for uncollectibles, as applicable.

All outstanding balances between funds are reported as *due to/from other funds*. Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide financial statements as *internal balances*.

Inventories, prepaid items and other assets

All inventories are valued at cost using the first-in/first-out method. Generally, inventories of governmental funds are recorded as expenditures when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted assets

Certain proceeds of the Village's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement

VILLAGE OF OXFORD, MICHIGAN

Notes to Financial Statements

of net assets because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

In the case of the initial capitalization of general infrastructure assets (i.e. those reported by the governmental activities) the government chose to include all such items regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e. estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) Actual historical cost was used as available. As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

VILLAGE OF OXFORD, MICHIGAN

Notes to Financial Statements

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	5-25
Buildings and building improvements	5-25
Public domain infrastructure	15-25
Water and wastewater system infrastructure	10-40
Vehicles	2-10
Office equipment	5-10
Machinery and equipment	5-10

Compensated absences

It is the government's policy to permit employees to accumulate earned but unused sick and compensatory time benefits, subject to certain limitations. All sick time pay is accrued at 50 percent of earned and unused leave hours in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

VILLAGE OF OXFORD, MICHIGAN

Notes to Financial Statements

Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Fund balance designations represent tentative management plans that are subject to change.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. All annual appropriations lapse at year-end, except for those approved by the Village Council for carry forward. The legal level of budgetary control is the functional level for the general fund and the fund level for special revenue funds.

The Village Council requires the Village Manager to submit an estimate of revenues and anticipated expenditures for the succeeding fiscal year in June. The Village Manager is then authorized to assign and transfer budget amounts within each fund to the extent that the net total fund appropriation (which the Village defines as gross authorized expenditures less related revenues that are specifically designated to fund those activities) is not exceeded. Village Council approval is required for any budgetary changes that result in an increase to net appropriations.

Formal budgetary integration is employed as a management control during the year. Supplemental appropriations were approved by the Village Council in the form of budget amendment resolutions or as part of special authorizing motions for grants, bonds or notes, the total of which was not significant in relation to the original budget appropriation valuations.

B. Excess of Expenditures Over Appropriations

State statutes provide that a local unit shall not incur expenditures in excess of the amount appropriated. . During the year ended June 30, 2006, the Village incurred expenditures in excess of the amounts appropriated as follows:

<u>General Fund</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Community and economic development	\$ 83,364	\$ 90,446	\$ (7,082)

VILLAGE OF OXFORD, MICHIGAN

Notes to Financial Statements

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

A reconciliation of cash and investments as shown on the Statement of Net Assets and Statement of Fiduciary Net Assets follows:

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Total</u>
Statement of net assets			
Cash and cash equivalents	\$ 3,951,422	\$ 1,212,863	\$ 5,164,285
Temporarily restricted cash and cash equivalents	63,220	-	63,220
Statement of fiduciary net assets			
Cash and cash equivalents	<u>72,889</u>	<u>-</u>	<u>72,889</u>
Total	<u>\$ 4,087,531</u>	<u>\$ 1,212,863</u>	<u>\$ 5,300,394</u>

These balances are disclosed in the notes as follows:

Bank deposits (checking accounts, savings accounts and CDs)	\$5,300,194
Cash on hand	<u>200</u>
Total	<u>\$5,300,394</u>

Investments

The Village is authorized by the Village Council, in accordance with State law, to invest surplus funds in the following:

- ◆ Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- ◆ Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- ◆ Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- ◆ Banker's acceptances of United States banks.

VILLAGE OF OXFORD, MICHIGAN

Notes to Financial Statements

- ◆ Obligations of the State of Michigan and its political subdivisions that, at the time of purchase, are rated as investment grade by at least one standard rating service.
- ◆ Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- ◆ External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

As of year-end, the Village had no investments.

Investment and deposit risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the list of investments above. The Village's investment policy does not have specific limits in excess of State law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments to specific government securities, certificates of deposit and bank accounts with qualified institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The Village's investment policy does not have specific limits in excess of state law on investment credit risk. The Village held no investments as of year-end.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned. State law does not require and the Village does not have a policy for deposit custodial credit risk. As of year-end, \$5,100,792 of the \$5,300,792 bank balance was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Village does not have a policy for investment custodial credit risk. The Village held no investments as of year-end.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The

VILLAGE OF OXFORD, MICHIGAN

Notes to Financial Statements

Village's investment policy does not have specific limits in excess of State law on concentration of credit risk. No investments were held at year-end.

B. Receivables

Receivables in the governmental activities are 52.86 percent due from other governments, 13.39 percent accounts receivables and 33.75 percent taxes and special assessments. Business-type activities receivables are 100 percent due from customers, and 0 percent due from other governments.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the deferred revenue was 2.1 percent made up of unavailable funds related to personal property taxes and special assessments that have been earned, but not yet received and 97.9 percent prepaid rent from the water and sewer funds to the internal service fund.

VILLAGE OF OXFORD, MICHIGAN

Notes to Financial Statements

C. Capital Assets

Capital assets activity for the year ended June 30, 2006 was as follows:

Primary government

Governmental Activities

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	\$ 468,448	\$ -	\$ -	\$ -	\$ 468,448
Construction in progress	125,943	-	-	(125,943)	-
Total capital assets not being depreciated	594,391	-	-	(125,943)	468,448
Capital assets being depreciated:					
Buildings and improvements	1,496,475	9,958	-	(1)	1,506,432
Street lighting	70,550	-	-	-	70,550
Furniture and equipment	1,290,835	255,135	(133,531)	6	1,412,445
Vehicles	90,671	23,616	(24,330)	-	89,957
Infrastructure	7,794,585	1,906,391	-	125,943	9,826,919
Total capital assets being depreciated	10,743,116	2,195,100	(157,861)	125,948	12,906,303
Accumulated depreciation:					
Buildings and improvements	546,335	58,418	-	(2)	604,751
Street lighting	47,046	4,703	-	-	51,749
Office furnishings and equipment	1,036,710	85,302	(125,819)	-	996,193
Vehicles	35,328	17,442	(24,330)	-	28,440
Infrastructure	4,846,618	337,020	-	-	5,183,638
Total accumulated depreciation	6,512,037	502,885	(150,149)	(2)	6,864,771
Total capital assets being depreciated, net	4,231,079	1,692,215	(7,712)	125,950	6,041,532
Governmental activities capital assets, net	\$ 4,825,470	\$ 1,692,215	\$ (7,712)	\$ 7	\$ 6,509,980

VILLAGE OF OXFORD, MICHIGAN

Notes to Financial Statements

Business Type activities

	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets not being depreciated:				
Land	\$ -	\$ 709,744	\$ -	\$ 709,744
Construction in progress	-	57,885	-	57,885
Total capital assets not being depreciated	-	767,629	-	767,629
Capital assets being depreciated:				
Land improvements	34,727	-	-	34,727
Buildings and improvements	286,414	-	-	286,414
Furniture and equipment	22,154	-	-	22,154
Water supply system improvements	4,497,503	155,260	-	4,652,763
Village lateral lines	2,650,000	20,322	-	2,670,322
Paint Creek interceptor	1,137,457	-	-	1,137,457
Machinery and equipment	292,889	21,610	-	314,499
Total capital assets being depreciated	8,921,144	197,192	-	9,118,336
Accumulated depreciation:				
Land improvements	25,919	626	-	26,545
Buildings and improvements	185,017	7,162	-	192,179
Furniture and equipment	22,154	-	-	22,154
Water supply system improvements	1,182,441	114,684	-	1,297,125
Village lateral lines	2,086,875	66,250	-	2,153,125
Paint Creek interceptor	895,768	28,436	-	924,204
Machinery and equipment	222,321	24,290	-	246,611
Total accumulated depreciation	4,620,495	241,448	-	4,861,943
Total capital assets being depreciated, net	4,300,649	(44,256)	-	4,256,393
Business-type activities capital assets, net	\$ 4,300,649	\$ 723,373	\$ -	\$ 5,024,022

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities

General government	\$ 81,935
Public safety	17,444
Highways and streets	337,020
Motor pool	<u>66,486</u>

Total depreciation expense - governmental activities \$ 502,885

Business-type activities

Water fund	\$ 141,320
Sewer fund	<u>100,128</u>

Total depreciation expense - governmental activities \$ 241,448

VILLAGE OF OXFORD, MICHIGAN

Notes to Financial Statements

Discretely presented component unit

Activity for the Downtown Development Authority for the year ended June 20, 2006, was as follows:

Component Unit

	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets not being depreciated:				
Land	\$ 808,411	\$ 397,419	\$ -	\$ 1,205,830
Construction in progress	20,022	-	-	20,022
Total capital assets not being depreciated	828,433	397,419	-	1,225,852
Capital assets being depreciated:				
Land Improvements	-	53,515	-	53,515
Street lighting	24,255	-	-	24,255
Equipment	17,314	-	-	17,314
Total capital assets being depreciated	41,569	53,515	-	95,084
Accumulated depreciation:				
Land Improvements	-	2,676	-	2,676
Street lighting	24,255	-	-	24,255
Equipment	17,314	-	-	17,314
Total accumulated depreciation	41,569	2,676	-	44,245
Total capital assets being depreciated, net	-	50,839	-	50,839
Component unit capital assets, net	\$ 828,433	\$ 448,258	\$ -	\$ 1,276,691

D. Interfund Receivables, Payables and Transfers

The following are the interfund receivables and payables balances at June 30, 2006:

Fund due to	Fund due from			Total
	General Fund	Sewer Fund	Water Fund	
General Fund	\$ -	\$ 11,258	\$ 11,258	\$ 22,516
Capital Projects Fund		20,322	155,260	175,582
Sewer Fund	11,800	-	-	11,800
Nonmajor Governmental Fund	300	27,607	-	27,907
Total	\$ 12,100	\$ 59,187	\$ 166,518	\$ 237,805

There was also a \$60,000 advance to the motor pool fund from the sewer fund during the year.

VILLAGE OF OXFORD, MICHIGAN

Notes to Financial Statements

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

The composition of interfund transfers for the year ended June 30, 2006 is as follows:

Primary Government

Transfers out	Transfers in			Total
	General Fund	Nonmajor Governmental Fund	Water Fund	
General Fund	\$ -	\$ 124,294	\$ -	\$ 124,294
Nonmajor				
Governmental Funds	-	299,426	-	299,426
Sewer Fund	5,150	-	15,450	20,600
Water Fund	5,150	-	-	5,150
Total	<u>\$ 10,300</u>	<u>\$ 423,720</u>	<u>\$ 15,450</u>	<u>\$ 449,470</u>

Component Unit

Transfers out	Transfers in	
	Downtown Development Authority Debt Service Fund	Total
Downtown Development Authority General Fund	\$ 77,500	\$ 77,500
Total	<u>\$ 77,500</u>	<u>\$ 77,500</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

VILLAGE OF OXFORD, MICHIGAN

Notes to Financial Statements

E. Long-term Debt

General obligation bonds. The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities.

<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount</u>
Governmental activities		
Series 2005 Capital Improvement Bonds	2.95-4.15%	\$ 2,348,480
Series 1990 Building Authority Bonds	6.8%-7.0%	185,000
Parking District #4 Bonds	4.4%-5.65%	110,000
Motor Pool Note	4.45%	145,881
Oxford Library Notes Payable	3.0%	10,000
		<u>\$ 2,799,361</u>

	<u>Interest Rate</u>	<u>Amount</u>
Business-type activities		
1996 Water Revenue Bonds, net of \$22,077 unamortized discount	5.2%-8.0%	\$ 1,155,518
1998 DWRFBonds	Variable	1,330,000
		<u>\$ 2,485,518</u>

<u>Component Unit</u>	<u>Interest Rate</u>	<u>Amount</u>
Series 2005 Capital Improvement Bonds	2.95-4.15%	<u>\$ 751,515</u>

Annual debt service requirements to maturity for debt is as follows:

Governmental Activities	Principal	Interest
2007	\$ 197,007	\$ 111,054
2008	206,606	102,911
2009	211,240	94,382
2010	224,701	85,434
2011	234,413	75,694
2012-2016	899,642	269,031
2017-2020	825,752	87,027
	<u>\$ 2,799,361</u>	<u>\$ 825,533</u>

VILLAGE OF OXFORD, MICHIGAN

Notes to Financial Statements

Business-type Activities

		Principal		Interest
2007	\$	138,701	\$	100,239
2008		138,701		95,227
2009		143,701		90,189
2010		143,701		85,001
2011		143,701		79,789
2012-2016		888,507		300,027
2017-2021		788,506		117,480
2022		100,000		2,950
	\$	2,485,518	\$	870,902

Component Unit

		Principal		Interest
2007	\$	41,212	\$	27,645
2008		42,424		26,388
2009		43,636		25,073
2010		46,061		23,699
2011		47,273		22,202
2012-2016		266,667		84,913
2017-2020		264,242		27,848
	\$	751,515	\$	237,768

Changes in Long-Term Debt. Long-term liability activity for the year ended June 30, 2006, was as follows:

Governmental activities:

	Balance June 30, 2005	Additions	Reductions	Balance June 30, 2006	Due Within One Year
Series 2005 Capital Improvement Bonds	\$ 2,500,000	\$ -	\$ (151,520)	\$ 2,348,480	\$ 128,788
Series 1990 Authority Bonds	215,000	-	(30,000)	185,000	30,000
Parking District #4 Bonds	120,000	-	(10,000)	110,000	10,000
Motor Pool Note	-	145,881	-	145,881	18,219
Oxford Library Notes	20,000	-	(10,000)	10,000	10,000
Accrued compensated absences	71,662	43,856	(71,074)	44,444	-
Total governmental activities	\$ 2,926,662	\$ 189,737	\$ (272,594)	\$ 2,843,805	\$ 197,007

Business-type activities:

	Balance June 30, 2005	Additions	Reductions	Balance June 30, 2006	Due Within One Year
1996 Water Revenue Bonds,	\$ 1,179,219	\$ -	\$ (23,701)	\$ 1,155,518	\$ 48,701
1998 DWRP Bonds	1,415,000	-	(85,000)	1,330,000	90,000
Accrued compensated absences	12,509	7,929	(12,373)	8,065	-
Total business-type activities	\$ 2,606,728	\$ 7,929	\$ (121,074)	\$ 2,493,583	\$ 138,701

VILLAGE OF OXFORD, MICHIGAN

Notes to Financial Statements

Component Unit:

	Balance June 30, 2005	Additions	Reductions	Balance June 30, 2006	Due Within One Year
Series 2005 Capital Improvement Bonds	\$ 800,000	\$ -	\$ (48,485)	\$ 751,515	\$ 41,212
Accrued compensated absences	-	2,187	-	2,187	-
Total component unit activities	\$ 800,000	\$ 2,187	\$ (48,485)	\$ 753,702	\$ 41,212

For the governmental activities, compensated absences are generally liquidated by the general fund.

F. Segment Information – Enterprise Funds

The Water Fund and the Sewer Fund are individual funds that account entirely for the government's water and wastewater activities. These funds are segments and are reported as major funds in the fund financial statements; therefore, segment disclosures herein are not required.

III. OTHER INFORMATION

A. Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and distribution of assets; errors and omissions; injuries to employees and natural disasters. The Village carries commercial insurance to cover any potential claims associated with these risks and has had no claims that exceeded the insurance coverage during the past three years.

B. Property Taxes

The government's property taxes are levied each July 1 on the taxable valuation of property located in the Village as of the preceding December 31, the lien date. Property taxes are payable without penalty and interest if paid in full by August 31st. As of September 30, the unpaid property taxes are added to the Oakland County tax rolls. Assessed values, as established annually by the government and subject to acceptance by the County, are equalized by the State at an estimated 50% of current market value. The taxable value of real and personal property in the Village for the 2005 levy, including industrial facilities was \$124,016,625. The government's general operating tax rate for fiscal 2005-06 was 12.62 mills.

VILLAGE OF OXFORD, MICHIGAN

Notes to Financial Statements

Property taxes for the Downtown Development Authority (the “Authority”) are derived from tax increment financing agreements with the various applicable taxing authorities. Under these arrangements, the Authority receives the property taxes levied on the increment of current taxable values over the base year values on those properties located within the established tax increment financing district.

Property taxes are recognized in the fiscal year in which they are levied.

C. Contingent Liabilities

Grove Property

The Village is in the process of purchasing a Grove Street property by exercising their right of eminent domain. The condemnation action is to ensure free parking to promote the viability of the community interests in the downtown area. The owner of the property is disputing the government’s appraisal that values the land at \$170,000. The Village and the Downtown Development Authority equally recorded a restricted deposit for the full amount of the appraisal. Litigation is pending regarding the fair market value of the property in question. The actual cost of the property to the Village is contingent upon the outcome of the legal action and may be in excess of the original \$170,000 appraisal. The State Supreme Court remanded the case back to the Circuit Court for further proceeding. The Village expects to ultimately prevail. If the Village does not prevail, it would face attorney fees and costs under the condemnation statute against the Village of approximately \$60,000.

General

Amounts received or receivable from grantor agencies are subject to audit and potential adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the government’s counsel that resolution of these matters will not have a material adverse effect on the financial condition of the government.

VILLAGE OF OXFORD, MICHIGAN

Notes to Financial Statements

D. Joint Venture

Oxford Public Fire and EMS Commission (OPFEC)

The Village is a member of the Oxford Public Fire and EMS Commission (the “Commission”), which provides fire and emergency services to the citizens of Oxford Township and the Village of Oxford, Michigan. The two member communities provide funding for its operations. During the year ended December 31, 2005, the last available audited financial statements, the Commission reported \$660,869 in total assets and \$146,454 in total liabilities, including \$467,217 in capital assets, net of accumulated depreciation. During the year ended June 30, 2006, the Village expensed approximately \$93,697 of payments made to the Commission. Complete financial statements for the Oxford Public Fire and EMS Commission can be obtained from the administrative offices at 96 N. Washington, P.O. Box 911, Oxford, Michigan 48371.

The Township of Oxford is currently seeking to dissolve the Commission. This is a complex matter involving the Village’s desire to maintain governmental integrity and control of the fire department and EMS services as well as determination of equities dating back to the 1970’s and a balancing of equities between the Township of Oxford and the Village of Oxford in the jointly operated fire department presently under the Oxford Public Fire and EMS Commission, including the Village’s claim to clear title in the old fire hall. The Village has engaged expert services to put together the historical picture from financial and budget records involving the longstanding relationship and complex equities involved. The expert witness fees and litigation costs will likely be substantial, but cannot be reasonably estimated at this time.

E. Defined Benefit Pension Plan

Plan Description

The Village’s defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Village participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan operating and administered by the MERS Retirement Board. Public Act No. 220 of the Public Acts of 1996, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917 or by calling (800) 767-6377.

VILLAGE OF OXFORD, MICHIGAN

Notes to Financial Statements

All full-time Village employees are eligible to participate in the MERS. Benefits vest after ten years of service. Village employees who retire at or after age 60 with ten years of credited service, age 55 with 15 years service or age 50 with 25 years of service, are entitled to an annual retirement benefit, payable monthly for life. This is the normal retirement benefit and is equal to 2.5% of the maximum 80% of final average compensation multiplied by the years of credited service. MERS also provides death and disability benefits. These benefits are established by state statute.

Funding Policy

The Village is required to contribute at an actuarially determined rate; the current rate is 13.13% of annual covered payroll. Employees are currently not required to contribute to the Plan. The contribution requirements of the Village are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members, if any, are established and may be amended by the Village depending on the MERS contribution program adopted by the Village.

Annual Pension Cost

For the year ended June 30, 2006, the Village's annual pension cost of \$91,632 for MERS was equal to the Village's required and actual contributions. The required contribution was determined as part of the December 31, 2005 actuarial valuation using the entry age normal cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 8.40% per year, depending on age, attributable to seniority/merit.

The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect market value. The Village's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2005, the date of the latest available actuarial valuation, was 25 years.

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2004	77,321	100	0
6/30/2005	79,579	100	0
6/30/2006	91,632	100	0

VILLAGE OF OXFORD, MICHIGAN

Notes to Financial Statements

F. State Construction Code Act Compliance

Public Act 245 of 1999 amended the State Construction Act to require Michigan municipal government's to establish fees that bear a reasonable relationship to the cost of operating their building departments. The Village's fee structure is not intended to fully recover its costs, and accordingly, the operations of the Village's building department are accounted for in the General Fund.

For the year ended June 30, 2006, the Village's revenue and expenditures related to its building department were as follows:

Revenues

Building Permits	\$ 24,455
Electrical Permits	3,065
Heating Permits	2,580
Plumbing Permits	2,326
Other Revenue	368
Total Revenues	<u>\$ 32,794</u>

Expenditures

Salaries and Wages	\$ 42,155
Benefits	1,888
Operating Supplies	18
Total Expenditures	<u>\$ 44,061</u>

* * * * *

***REQUIRED SUPPLEMENTARY
INFORMATION***

VILLAGE OF OXFORD, MICHIGAN

Required Supplementary Information (Unaudited)

Defined Benefit Pension Plan

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Attained Age# (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio % (a / b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a) / c)
12/31/00	\$ 1,041,306	\$ 1,350,075	\$ 308,769	77%	\$ 516,357	60%
12/31/01	1,144,348	1,529,706	385,358	75%	587,803	66%
12/31/02	1,205,872	1,604,630	398,758	75%	649,166	61%
12/31/03	1,331,981	1,895,927	563,946	70%	748,047	75%
12/31/04	1,448,204	1,896,803	448,599	76%	708,365	63%
12/31/05	1,574,122	2,134,330	560,208	74%	697,858	80%

***COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES***

VILLAGE OF OXFORD, MICHIGAN

Combining Balance Sheet Non Major Governmental Funds June 30, 2006

	Special Revenue				Debt Service		Total
	Major Street	Local Street	Municipal Street	Building Authority	Municipal Debt Service	Parking District #4 Debt Service	
Assets							
Cash and cash equivalents	\$ 188,731	\$ 25,437	\$ 157,876	\$ 6,905	\$ -	\$ 76,039	\$ 454,988
Receivables:							
Accounts receivable	-	-	631	-	-	-	631
Special assessments	-	-	-	-	-	52,291	52,291
Due from other governments	27,198	9,550	-	-	-	-	36,748
Due from other funds	12,925	4,838	10,144	-	-	-	27,907
Prepaid items	1,827	-	-	-	-	13,060	14,887
Total assets	\$ 230,681	\$ 39,825	\$ 168,651	\$ 6,905	\$ -	\$ 141,390	\$ 587,452
Liabilities							
Accounts payable	\$ 2,754	\$ 1,104	\$ -	\$ -	\$ -	\$ -	\$ 3,858
Accrued liabilities	334	299	-	-	-	-	633
Deferred revenue	-	-	-	-	-	51,996	51,996
Total liabilities	3,088	1,403	-	-	-	51,996	56,487
Fund balances:							
Reserved for:							
Debt service	-	-	-	-	-	76,334	76,334
Prepaid items	1,827	-	-	-	-	13,060	14,887
Unreserved, undesignated	225,766	38,422	168,651	6,905	-	-	439,744
Total fund balances	227,593	38,422	168,651	6,905	-	89,394	530,965
Total liabilities and fund balance	\$ 230,681	\$ 39,825	\$ 168,651	\$ 6,905	\$ -	\$ 141,390	\$ 587,452

VILLAGE OF OXFORD, MICHIGAN
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non Major Governmental Funds
For the Year Ended June 30, 2006

	Special Revenue				Debt Service		Total
	Major Street	Local Street	Municipal Street	Building Authority	Municipal Building Debt Service	Parking District #4 Debt Service	
Revenues							
Taxes and special assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,162	\$ 10,162
Intergovernmental							
State	163,737	57,492	-	-	-	-	221,229
Investment earnings	2,457	548	13,431	419	-	7,787	24,642
Other	1,408	26	10,144	44,620	-	-	56,198
Total revenues	<u>167,602</u>	<u>58,066</u>	<u>23,575</u>	<u>45,039</u>	<u>-</u>	<u>17,949</u>	<u>312,231</u>
Expenditures							
Highways and street	113,985	71,465	436	-	-	-	185,886
Debt service:							
Principal	151,520	-	-	-	30,000	10,000	191,520
Interest and fiscal charges	68,148	-	-	-	14,870	6,455	89,473
Total expenditures	<u>333,653</u>	<u>71,465</u>	<u>436</u>	<u>-</u>	<u>44,870</u>	<u>16,455</u>	<u>466,879</u>
Revenues over (under) expenditures	<u>(166,051)</u>	<u>(13,399)</u>	<u>23,139</u>	<u>45,039</u>	<u>(44,870)</u>	<u>1,494</u>	<u>(154,648)</u>
Other financing sources (uses)							
Transfers in	239,506	15,050	124,294	-	44,870	-	423,720
Transfers out	-	-	(254,556)	(44,870)	-	-	(299,426)
Total other financing sources (uses)	<u>239,506</u>	<u>15,050</u>	<u>(130,262)</u>	<u>(44,870)</u>	<u>44,870</u>	<u>-</u>	<u>124,294</u>
Net change in fund balances	73,455	1,651	(107,123)	169	-	1,494	(30,354)
Fund balances, beginning of year	<u>154,138</u>	<u>36,771</u>	<u>275,774</u>	<u>6,736</u>	<u>-</u>	<u>87,900</u>	<u>561,319</u>
Fund balances, end of year	<u>\$ 227,593</u>	<u>\$ 38,422</u>	<u>\$ 168,651</u>	<u>\$ 6,905</u>	<u>\$ -</u>	<u>\$ 89,394</u>	<u>\$ 530,965</u>

VILLAGE OF OXFORD, MICHIGAN
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Major Streets
For the Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 173,247	\$ 172,121	\$ 163,737	\$ (8,384)
Investment earnings	210	210	2,457	2,247
Other	-	85	1,408	1,323
Total revenues	<u>173,457</u>	<u>172,416</u>	<u>167,602</u>	<u>(4,814)</u>
Expenditures				
Current:				
Routine maintenance	100,092	100,117	79,196	20,921
Winter maintenance	25,134	25,134	17,260	7,874
Traffic service	16,105	16,105	9,961	6,144
Administration	7,242	7,242	4,456	2,786
Debt Service:				
Principal	150,000	150,000	151,520	(1,520)
Interest expense	83,669	83,669	68,148	15,521
Other	4,100	29,655	3,112	26,543
Total expenditures	<u>386,342</u>	<u>411,922</u>	<u>333,653</u>	<u>78,269</u>
Revenues over (under) expenditures	(212,885)	(239,506)	(166,051)	73,455
Other financing sources (uses)				
Transfers in	<u>239,506</u>	<u>239,506</u>	<u>239,506</u>	<u>-</u>
Net change in fund balances	26,621	(0.38)	73,455	73,455
Fund balance, beginning of year	<u>154,138</u>	<u>154,138</u>	<u>154,138</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 180,759</u></u>	<u><u>\$ 154,138</u></u>	<u><u>\$ 227,593</u></u>	<u><u>\$ 73,455</u></u>

VILLAGE OF OXFORD, MICHIGAN
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Local Streets
For the Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental:				
State	\$ 60,672	\$ 60,272	\$ 57,492	\$ (2,780)
Investment earnings	150	550	548	(2)
	<u>60,822</u>	<u>60,848</u>	<u>58,066</u>	<u>(2,782)</u>
Total revenues				
Expenditures				
Construction	260	-	-	-
Routine maintenance	34,887	38,217	39,608	(1,391)
Winter maintenance	27,974	30,174	23,453	6,721
Traffic service	6,215	6,835	4,292	2,543
Administration	3,289	3,289	2,384	905
Other	3,237	1,729	1,728	1
	<u>75,862</u>	<u>80,244</u>	<u>71,465</u>	<u>8,779</u>
Total expenditures				
Revenues over (under) expenditures	(15,040)	(19,396)	(13,399)	5,997
Other financing sources (uses)				
Transfers in	15,040	15,050	15,050	-
	<u>-</u>	<u>(4,346)</u>	<u>1,651</u>	<u>5,997</u>
Net change in fund balances				
Fund balance, beginning of year	36,771	36,771	36,771	-
Fund balance, end of year	<u>\$ 36,771</u>	<u>\$ 32,425</u>	<u>\$ 38,422</u>	<u>\$ 5,997</u>

VILLAGE OF OXFORD, MICHIGAN
Statement of Net Assets/Governmental Fund Balance Sheet
Downtown Development Authority
June 30, 2006

	Special Revenue Fund	Capital Project Fund	Debt Service Fund	Total	Adjustments	Statement of Net Assets
Assets						
Cash and cash equivalents	\$ 813,969	\$ 391,679	\$ 7,215	\$ 1,212,863	\$ -	\$ 1,212,863
Taxes receivable	15,626	-	-	15,626	-	15,626
Accounts receivable	2,462	-	-	2,462	-	2,462
Allowance for taxes receivable	(3,999)	-	-	(3,999)	-	(3,999)
Prepaid items	1,578	-	-	1,578	-	1,578
Restricted asset-deposit on land	85,000	-	-	85,000	-	85,000
Non-depreciable capital assets	-	-	-	-	1,225,852	1,225,852
Capital assets being depreciated, net	-	-	-	-	50,839	50,839
Total assets	\$ 914,636	\$ 391,679	\$ 7,215	\$ 1,313,530	\$ 1,276,691	2,590,221
Liabilities						
Accounts payable	\$ 23,477	\$ -	\$ -	\$ 23,477	\$ -	\$ 23,477
Accrued liabilities	729	-	-	729	2,186	2,915
Deferred revenue	11,627	-	-	11,627	(11,627)	-
Due to primary government	57,940	53,515	-	111,455	-	111,455
Accrued compensation	-	-	-	-	2,187	2,187
Bonds payable	-	-	-	-	710,303	710,303
Bonds payable - current	-	-	-	-	41,212	41,212
Total Liabilities	93,773	53,515	-	147,288	744,261	891,549
Fund Balance						
Reserved	85,000	-	-	85,000	(85,000)	-
Unreserved:						
Undesignated	735,863	338,164	7,215	1,081,242	(1,081,242)	-
Total fund balance	820,863	338,164	7,215	1,166,242	(1,166,242)	-
Total liabilities and fund balance	\$ 914,636	\$ 391,679	\$ 7,215	\$ 1,313,530		
Net assets						
Invested in capital assets					525,176	525,176
Restricted					85,000	85,000
Unrestricted					1,088,496	1,088,496
Total net assets					\$ 1,698,672	\$ 1,698,672

VILLAGE OF OXFORD, MICHIGAN
Reconciliation of Fund Balance on the Balance Sheet
for Component Unit to Net Assets of
Component Unit on the Statement of Net Assets
June 30, 2006

Fund balance - component unit	\$ 1,166,242
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add: non-depreciable capital assets	1,225,852
Add: capital assets being depreciated, net	50,839

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balance.

Add: deferred property taxes	11,627
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Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct: long-term portion of bonds payable	(710,303)
Deduct: current portion of bonds payable	(41,212)
Deduct: accrued interest on bonds payable	(2,186)
Deduct: compensated absences	(2,187)

Net assets of component unit activities	<u>\$ 1,698,672</u>
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VILLAGE OF OXFORD, MICHIGAN
Statement of Activities/Statement of Revenues,
Expenditures and Changes in Fund Balance
Downtown Development Authority
For the Year Ended June 30, 2006

	<u>Special Revenue Fund</u>	<u>Capital Project Fund</u>	<u>Debt Service Fund</u>
Revenues			
Taxes	\$ 393,955	\$ -	\$ -
Interest	33,158	13,506	-
Miscellaneous	46,142	-	-
	<u>473,255</u>	<u>13,506</u>	<u>-</u>
Expenditures/expenses			
Community service	346,133	-	-
Principal payments	-	-	48,480
Interest on long-term debt	-	-	21,805
Capital outlay	22,581	467,500	-
Depreciation expense	-	-	-
	<u>368,714</u>	<u>467,500</u>	<u>70,285</u>
Other financing sources (uses)			
Other revenue	1,762	-	-
Transfers in	-	-	77,500
Transfers out	(77,500)	-	-
	<u>28,803</u>	<u>(453,994)</u>	<u>7,215</u>
Net change in fund balances	28,803	(453,994)	7,215
Change in net assets	-	-	-
Fund balances/net assets, beginning of year	<u>792,060</u>	<u>792,158</u>	<u>-</u>
Fund balances/net assets, end of year	<u><u>\$ 820,863</u></u>	<u><u>\$ 338,164</u></u>	<u><u>\$ 7,215</u></u>

<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
\$ 393,955	\$ 1,190	\$ 395,145
46,664	-	46,664
46,142	-	46,142
<u>486,761</u>	<u>1,190</u>	<u>487,951</u>
346,133	2,187	348,320
48,480	(48,480)	-
21,805	-	21,805
490,081	(450,935)	39,146
-	2,676	2,676
<u>906,499</u>	<u>(494,552)</u>	<u>411,947</u>
1,762	-	1,762
77,500	-	77,500
(77,500)	-	(77,500)
(417,976)	417,976	-
-	77,766	77,766
<u>1,584,218</u>	<u>36,688</u>	<u>1,620,906</u>
<u><u>\$ 1,166,242</u></u>	<u><u>\$ 532,430</u></u>	<u><u>\$ 1,698,672</u></u>

VILLAGE OF OXFORD, MICHIGAN
Reconciliation of the Statement of Revenues, Expenditures
and Change in Fund Balance of Component Unit
to the Statement of Activities
For the Year Ended June 30, 2006

Net change in fund balances - component unit	\$ (417,976)
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Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: capital outlay expenses	450,930
Less: depreciation expense	(2,676)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.

Add: current year deferred revenue on delinquent personal property tax	1,190
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Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds.

Add: principal payments on long-term liabilities	48,485
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Deduct: increase in the accrual for compensated absences	(2,187)
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Change in net assets of governmental activities	<u>\$ 77,766</u>
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***REPORT ON INTERNAL CONTROL
AND COMPLIANCE***



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS**

November 20, 2006

To the Village Council
Village of Oxford, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the *Village of Oxford, Michigan* as of and for the year ended June 30, 2006, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated November 20, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the *Village of Oxford, Michigan's* internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the *Village of Oxford, Michigan's* financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, Mayor and Village Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, reading "Lehmann Lobson".



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

November 20, 2006

To The Village Council
Village of Oxford, Michigan

In planning and performing our audit of the financial statements of the *Village of Oxford, Michigan*, for the year ended June 30, 2006, we considered the Village's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions concerning those matters. This letter does not affect our report dated November 20, 2006, on the financial statements of the *Village of Oxford, Michigan*.

The accompanying comments and recommendations are intended solely for the information and use of the audit committee, management, and others within the organization and should not be used by anyone other than these specified parties.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Village personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist the Village in implementing the recommendations.

We would like to thank the staff and management of the *Village of Oxford, Michigan* for their assistance and cooperation in completing the audit.

Rehmann Robson

1) RECEIPTING SYSTEM

During our audit procedures we noted that the Village did not employ a receipting system when collecting payments from customers at the front counter. Using a receipting system for over the counter payments enhances internal control over cash receipts, which are susceptible to misappropriation due to the nature of the transaction.

We would recommend that the Village consider implementing a cash receipting system for over the counter receipts. Cash receipting systems are typically in the form of a cash register or extensions of the accounting system in which a receipt number is automatically assigned to the transaction and a receipt is generated for the customer at the time of the transaction.

By establishing a cash receipting system for over the counter transactions, the Village will enhance its internal controls over cash receipts, align its conformity with State of Michigan accounting guidelines and provide a more transparent audit trail.

Note: This was also a comment in the prior year.

2) DAILY COLLECTIONS

While performing our audit, we noted that daily collections were being maintained over night in an unlocked cabinet at the Village offices. We believe that this practice increases the risk of loss due to fire, theft or other circumstances involving a lower level of security.

We would recommend that the Village consider depositing the daily collections at the end of each business day using the night depository at the local bank. If the Village considers this impractical then we would recommend employing the use of a fire proof safe to store the daily collections until they can be deposited.

By enhancing the security of the daily collections, the Village will reduce its risk of loss due to the factors mentioned above.

Note: This was also a comment in the prior year.

3) UNTIMELY RECONCILIATION OF SOME ACCOUNTS AND FINANCIAL ACTIVITY

Some account balances and financial activity of the Village are not reconciled in a timely manner. These include capital asset accounts and long-term debt accounts. This situation could cause some interim financial reports to be inaccurate and does not allow for a complete accounting of all financial activity during the year. This situation also resulted in a substantial delay in the audit process.

The Village should implement whatever procedures are necessary to ensure that all general ledger account balances and financial activity are properly reconciled to subsidiary ledgers and / or other adequate supportive documentation in a timely manner.

4) LACK OF SAFEGUARDS OVER UNUSED ACCOUNTS PAYABLE CHECKS

During the course of our audit, RR noted that unused accounts payable checks are not accounted for, they are simply kept in an unlocked file cabinet. This can lead to the loss of checks, unauthorized purchases, and theft.

The Village should implement controls over unused A/P checks. These would include keeping them in a locked location, allowing only authorized personnel to retrieve check stock, and record the first and last check number in each check run to ensure none have been lost/stolen.

5) LACK OF DOCUMENTATION OVER PAYROLL CHANGES

RR noted that the village normally performs payroll changes (deductions, personal information changes, etc) verbally. These verbal changes are keyed directly into the payroll system, thus leaving no paper documentation of the changes.

RR recommends written documentation of all payroll changes. RR further recommends that this documentation be signed by the affected employee as well as the payroll clerk.

6) LACK OF SEGREGATION OF DUTIES OVER WRITE-OFF OF RECEIVABLES

RR noted that the employee in charge of utility billing also has the ability to write-off bills and cancel late fees. This can lead to fraudulent activity.

RR recommends a segregation of duties over receivables. The employee who sends the billing should not handle cash collections and should not be able to write-off bills or cancel late fees.

7) BANK ACCOUNTS

RR noted that the City has several bank accounts to segregate and maintain cash by individual fund.

Although we see how this process would have been of benefit in prior years, the current accounting system employed by the City provides a reasonable basis to leverage the pooling of the City's operating cash accounts.

RR recommends that the City consider using one pooled cash account for the City's operating cash instead of several (i.g. one for each fund) savings accounts. We believe that this will add more simplicity to the accounting and reconciliation of the City's cash, create the opportunity to leverage better interest rates on deposited cash as the pooled amount would be much larger than several smaller amounts, eliminate the use of "due to/due from" account transactions which must be manually prepared general ledger transactions, and finally would reduce the costs associated with bank fees in maintaining several bank accounts.